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February 22, 2006

PARTIES OF RECORD:

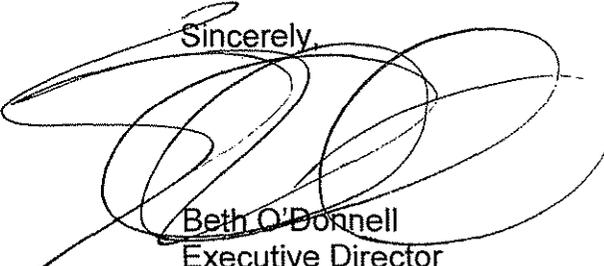
RE: CASE NO. 2005-00492
APPLICATION OF NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
FOR AN ORDER PURSUANT TO KRS 278.300 AND 807 KAR 5:001, SECTION
11 AND RELATED SECTIONS AUTHORIZING THE COOPERATIVE TO
OBTAIN A PERPETUAL LINE OF CREDIT NOT TO EXCEED \$7,000,000.00 AT
ANY ONE TIME FROM THE NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

AND

CASE NO. 2005-00493
APPLICATION OF THE NOLIN RURAL ELECTRIC COOPERATIVE
CORPORATION FOR AN ORDER PURSUANT TO KRS 278.300 AND 807 KAR
5:001, SECTION 11 AND RELATED SECTIONS AUTHORIZING THE
COOPERATIVE TO OBTAIN A LOAN IN THE AMOUNT OF \$24,000,000.00
FROM THE NATIONAL RURAL UTILITIES COOPERATIVE FINANCE
CORPORATION

Enclosed please find a memorandum that has been filed in the record of the above-referenced cases. Any comments regarding this memorandum's content should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Isaac Scott at (502) 564-3940, Extension 444.

Sincerely,



Beth O'Donnell
Executive Director

Attachment

Honorable John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
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Vice President Admin & Finance
Nolin R.E.C.C.
411 Ring Road
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INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 2005-00492
Main Case File No. 2005-00493

FROM: Isaac Scott, Team Leader 

DATE: February 22, 2006

RE: CASE NO. 2005-00492, APPLICATION OF NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION FOR AN ORDER PURSUANT TO KRS 278.300 AND 807 KAR 5:001, SECTION 11 AND RELATED SECTIONS AUTHORIZING THE COOPERATIVE TO OBTAIN A PERPETUAL LINE OF CREDIT NOT TO EXCEED \$7,000,000.00 AT ANY ONE TIME FROM THE NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

AND

CASE NO. 2005-00493, APPLICATION OF THE NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION FOR AN ORDER PURSUANT TO KRS 278.300 AND 807 KAR 5:001, SECTION 11 AND RELATED SECTIONS AUTHORIZING THE COOPERATIVE TO OBTAIN A LOAN IN THE AMOUNT OF \$24,000,000.00 FROM THE NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

Pursuant to the Commission Staff's notice in the above cases, a telephonic informal conference was held on February 20, 2006. Participating in the conference for Nolin Rural Electric Cooperative Corporation ("Nolin") were O. V. Sparks, Administration and Finance Manager, and John J. Scott, Nolin's counsel. Participating for the Commission Staff were Isaac Scott, Anita Mitchell, and Daryl Newby. The purpose of the informal conference was to discuss and clarify some of the data responses Nolin provided to the Commission Staff's December 21, 2005 First Data Request.

The majority of the discussion focused on the \$24 million loan which is the subject of Case No. 2005-00493. Nolin confirmed that the \$24 million initially serves as interim financing on demand side management and energy efficiency projects at Fort Knox. After all approvals are secured, the interim borrowings convert to permanent financing, in the form of 10-year long-term debt. Nolin verified that it needs to secure a lien accommodation from the Rural Utilities Service ("RUS"), its primary lender, and that Nolin has already submitted its request for the lien accommodation to the RUS. Nolin cannot borrow any of \$24 million without the RUS lien accommodation. Nolin was asked if at the time of conversion from interim to permanent financing the face amount of the debt remained unchanged. Nolin stated that the amount of the debt does not change at the time of conversion. All of the Commission Staff's questions were addressed by Nolin, and the conference was adjourned.

cc: Parties of Record